

<i>SERFF Tracking Number:</i>	<i>PCAG-125326864</i>	<i>State:</i>	<i>Arkansas</i>
<i>Filing Company:</i>	<i>PACO Assurance Company, Inc.</i>	<i>State Tracking Number:</i>	<i>EFT \$100</i>
<i>Company Tracking Number:</i>	<i>AR-982-A</i>		
<i>TOI:</i>	<i>17.1 Other Liability - Claims Made Only</i>	<i>Sub-TOI:</i>	<i>17.1019 Professional Errors & Omissions Liability</i>
<i>Product Name:</i>	<i>Insurance Agents & Brokers Professional Liability Program</i>		
<i>Project Name/Number:</i>	<i>Initial Filing for Agent E & O Program/AR-982-A</i>		

Filing at a Glance

Company: PACO Assurance Company, Inc.		
Product Name: Insurance Agents & Brokers Professional Liability Program	SERFF Tr Num: PCAG-125326864 State: Arkansas	
TOI: 17.1 Other Liability - Claims Made Only	SERFF Status: Closed	State Tr Num: EFT \$100
Sub-TOI: 17.1019 Professional Errors & Omissions Liability	Co Tr Num: AR-982-A	State Status: Fees verified and received
Filing Type: Rule	Co Status: Pending	Reviewer(s): Betty Montesi, Edith Roberts, Brittany Yielding
	Author: Latasha Knox-Campbell	Disposition Date: 04/16/2008
	Date Submitted: 04/09/2008	Disposition Status: Filed
Effective Date Requested (New): 05/01/2008		Effective Date (New):
Effective Date Requested (Renewal): 05/01/2008		Effective Date (Renewal):
State Filing Description:		

General Information

Project Name: Initial Filing for Agent E & O Program	Status of Filing in Domicile: Authorized
Project Number: AR-982-A	Domicile Status Comments:
Reference Organization:	Reference Number:
Reference Title:	Advisory Org. Circular:
Filing Status Changed: 04/16/2008	
State Status Changed: 04/16/2008	Deemer Date:
Corresponding Filing Tracking Number:	
Filing Description:	
EXPLANATORY MEMORANDUM	
PACO Assurance Company, Inc.	
For Agents & Brokers Liability Underwriting Services (FABLUS), a Purchasing Group	
Insurance Agents and Brokers Professional Liability Program	
Initial Filing of Rates and Rules	

<i>SERFF Tracking Number:</i>	<i>PCAG-125326864</i>	<i>State:</i>	<i>Arkansas</i>
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The purpose of this filing is to place on file with the Department the rates and rules to be used for our company's Insurance Agents and Brokers Professional Liability Program. This program will be offered through For Agents & Brokers Liability Underwriting Services (FABLUS), a Purchasing Group. We have submitted this filing with an anticipated effective date of May 1, 2008.

MANUAL RULES

With this filing we are also submitting for the Department's approval our manual rules/rates to be used for this program.

The Insurance Agents & Brokers Professional Liability Program Rating Manual Rules, Edition 3-08, is included, along with the New Mexico Rating Manual Exceptions Page, Edition 5-08.

Premium rates for this type of coverage are generally based on either agency revenue or the number of agency personnel. We have chosen agency revenue as a rating basis. With respect to the development of rates for this new program, we are relying on available competitor and industry data.

A separate Actuarial memorandum and corresponding exhibits, prepared by our Chief Actuary, John E. Daniel, FCAS, MAAA, have all been attached.

Company and Contact

Filing Contact Information

Latasha Knox-Campbell, Regulatory
Compliance Analyst
110 WESTWOOD PLACE

lcampbell@picagroup.com

(615) 371-8776 [Phone]

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TOI:	17.1 Other Liability - Claims Made Only	Sub-TOI:	17.1019 Professional Errors & Omissions Liability
Product Name:	Insurance Agents & Brokers Professional Liability Program		
Project Name/Number:	Initial Filing for Agent E & O Program/AR-982-A		

BRENTWOOD, TN 37027 (615) 370-4803[FAX]

Filing Company Information

PACO Assurance Company, Inc.	CoCode: 10222	State of Domicile: Illinois
110 Westwood Place	Group Code: 3504	Company Type:
Brentwood, TN 37027	Group Name:	State ID Number:
(800) 251-5727 ext. [Phone]	FEIN Number: 36-3998471	

SERFF Tracking Number: *PCAG-125326864* *State:* *Arkansas*
Filing Company: *PACO Assurance Company, Inc.* *State Tracking Number:* *EFT \$100*
Company Tracking Number: *AR-982-A*
TOI: *17.1 Other Liability - Claims Made Only* *Sub-TOI:* *17.1019 Professional Errors & Omissions Liability*

Product Name: *Insurance Agents & Brokers Professional Liability Program*
Project Name/Number: *Initial Filing for Agent E & O Program/AR-982-A*

Filing Fees

Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation: PACO Assurance Company, Inc. \$100.00
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
PACO Assurance Company, Inc.	\$100.00	04/09/2008	19407789

SERFF Tracking Number:	PCAG-125326864	State:	Arkansas
Filing Company:	PACO Assurance Company, Inc.	State Tracking Number:	EFT \$100
Company Tracking Number:	AR-982-A		
TOI:	17.1 Other Liability - Claims Made Only	Sub-TOI:	17.1019 Professional Errors & Omissions Liability
Product Name:	Insurance Agents & Brokers Professional Liability Program		
Project Name/Number:	Initial Filing for Agent E & O Program/AR-982-A		

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Edith Roberts	04/16/2008	04/16/2008

<i>SERFF Tracking Number:</i>	<i>PCAG-125326864</i>	<i>State:</i>	<i>Arkansas</i>
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Disposition

Disposition Date: 04/16/2008

Effective Date (New):

Effective Date (Renewal):

Status: Filed

Comment:

Rate data does NOT apply to filing.

SERFF Tracking Number:	PCAG-125326864	State:	Arkansas
Filing Company:	PACO Assurance Company, Inc.	State Tracking Number:	EFT \$100
Company Tracking Number:	AR-982-A		
TOI:	17.1 Other Liability - Claims Made Only	Sub-TOI:	17.1019 Professional Errors & Omissions Liability
Product Name:	Insurance Agents & Brokers Professional Liability Program		
Project Name/Number:	Initial Filing for Agent E & O Program/AR-982-A		

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	Actuarial Support	Filed	Yes
Rate	Manual Rules	Filed	Yes
Rate	Arkansas Manual Exceptions Page	Filed	Yes

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Rate Information

Rate data does NOT apply to filing.

<i>SERFF Tracking Number:</i>	<i>PCAG-125326864</i>	<i>State:</i>	<i>Arkansas</i>
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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Filed	Manual Rules	Ed. 3-08	New	Rating Manual - Generic (PACO Ins Agents) Ed. 3-08.pdf
Filed	Arkansas Manual Exceptions Page	Ed. 5-08	New	Arkansas Manual Exception Page Ed. 5-08.pdf



PACO Assurance Company, Inc.
Insurance Agents & Brokers Professional Liability Program
Manual Rules

1. **Overview:** This manual shall describe the rules under which the PACO Insurance Agents & Brokers Professional Liability program will be administered.
2. **Policy Term:** Policies will be issued for a term of one year.
3. **Rating Basis:**
 - a. The premium for this coverage shall be based on revenue from insurance operations, defined as commissions and fees derived from the brokering and managing of policies of insurance.
 - b. In determining the amount to be used in developing the base rate, revenues from the 12 months proceeding the month in which the application is made will be reported by class of business and in total. The agency will also submit a projection providing a reasonable estimate of revenues expected in the succeeding 12 months, giving reasons for any material changes from the prior year (ie: new contract, loss of a major account, etc.). These reports will be used to select a number which most accurately reflects anticipated revenues for the coverage period.
 - c. A flat rate will be charged for the first \$100,000 of revenue. Above that, a factor is applied to the additional revenue within each layer. The rates and factors assume a standard deductible of One Thousand Dollars (\$1,000) and are given in the table below:

Revenue Range	Base Rate
Flat Rate	
0 to \$50,000	\$1,000
\$50,001 to \$100,000	\$725
Revenue Range	Rate per \$1,000 of revenue
\$100,001 to \$500,000	4.00
\$500,001 to \$1M	4.00
\$1,000,001 to \$1.5M	4.00
Above \$1.5M	3.50

4. **Retroactive Date Discounts:**

For the first three years of claims made coverage, premium will be comparatively lower when insureds elect the application of a retroactive date. This reduction in premium reflects the reduced exposure compared to an insured that elects full prior acts coverage.

Prior Acts	Discount
None = Policy Effective Date	40%
One Year	25%
Two Years	15%
Three or More Years	0%



PACO Assurance Company, Inc.
Insurance Agents & Brokers Professional Liability Program
Manual Rules

5. Territorial Modifiers:

A territorial modifier will be applied to the adjusted base rate as determined by the amount of revenue generated by the agency. If revenues are generated from operations in more than one territory, the higher relativity will be used. Requests for deviations from this provision will be referred to the Company.

Territorial relativities are listed in the table below. Refer to the appropriate state exception for the appropriate Territory Identifier.

Territory Identifier	Relativity Factor
1	0.70
2	1.00
3	1.15
4	1.30

6. Increased Limits

The program provides limits of up to \$1,000,000 per claim / \$3,000,000 aggregate. The base rate contemplates a limit of \$100,000 for each and every claim arising out of the same, related or continuing professional service, and a \$200,000 aggregate limit, both with a \$1,000 standard deductible.

This limit applies regardless of the number of employees or entities covered. For increased limits of liability, at deductibles shown, apply the appropriate factor in the following table to the premium for a basic policy:

Clients selecting deductibles above \$10,000 will be required to present proof of financial responsibility, such as letters of credit.

ILF / Deductible Factors

	Limit Claim	100,000	250,000	300,000	500,000	500,000	1,000,000	1,000,000	1,000,000
Deductible	Aggregate	200,000	500,000	600,000	500,000	1,000,000	1,000,000	2,000,000	3,000,000
1,000		1.00	1.44	1.53	1.74	1.79	2.07	2.13	2.19
2,500		0.94	1.38	1.48	1.68	1.73	2.01	2.07	2.13
5,000		0.87	1.31	1.40	1.61	1.68	1.94	2.00	2.06
7,500		0.81	1.25	1.34	1.55	1.60	1.88	1.94	1.99
10,000		0.75	1.19	1.29	1.50	1.55	1.83	1.88	1.94
15,000		0.65	1.11	1.20	1.41	1.48	1.74	1.79	1.85
20,000		0.62	1.03	1.12	1.34	1.38	1.67	1.72	1.77
25,000		0.60	0.97	1.06	1.28	1.32	1.61	1.66	1.71
35,000		0.44	0.88	0.97	1.18	1.23	1.51	1.57	1.63
50,000		0.31	0.75	0.84	1.05	1.10	1.38	1.44	1.50
100,000		N/A	0.44	0.53	0.74	0.79	1.07	1.13	1.19



PACO Assurance Company, Inc.
Insurance Agents & Brokers Professional Liability Program
Manual Rules

7. Rating Modifiers:

- a. The insured's receipt of revenue from certain classes of business will generate a debit or credit.
- b. The amount of the debit or credit will depend upon what portion of total revenues is represented by revenues from the subject class.
- c. The amount of debits or credits which may be applied is list in the table below.
- d. There is no limit to the amount of debits or credits which may be applied.

	Percent of Revenue	Credit	Debit
Wholesale agents/brokers		0%	80%
Personal lines	60%-70% pers lines	5%	0%
	71%-80% person lines	10%	0%
	>80% personal lines	20%	0%
Professional Liability - Including Med. Mal.			
	<=25%	0%	5%
	26%-50%	0%	10%
	>50%	0%	25%
Long Haul Trucking			
	<10%	0%	10%
	>= 10%	0%	30%
MGA's, MGU's and PA's			
	< 10%	0%	5%
	11%-25%	0%	10%
	> 25%	0%	35%
Aviation			
	<=10%	0%	10%
	>10%	0%	30%

8. Claims Experience:

- a. Debits will be applied to premiums under this rating plan according to previous claims history of the insured. For the purpose of this section, a claim is defined as an occurrence requiring an indemnity payment or posted indemnity reserve in excess of \$5,000.
- b. Debits will be applied in accordance with the table shown below.
- c. If more than one claim is reported, and each is reported in a different year, then the debit for the most recent claim will be used.



PACO Assurance Company, Inc.
Insurance Agents & Brokers Professional Liability Program
Manual Rules

Period	Debit for one claim	Debit for two claims
1 year	25%	50%
2 years	20%	40%
3 years	15%	30%
4 years	10%	20%
5 years	5%	10%

9. **Loss Control:**
- a. Credits granted under this section may be applied in addition to any other discount or credit, including those applied under the scheduled rating rule.
 - b. This program permits, but does not require, a maximum of 10% credit for insureds meeting specified loss control criteria. There are four separate loss control categories, each of which may result in the application of a 5% credit, subject to a maximum of 10% credit for all categories. If granted, the credit will be applied after the application of any scheduled rating modifications. Categories include:
 - i. Professional Designations: Sixty percent (60%) or more of agency staff with recognized and approved insurance designations, including CPCU, CIC, CPSR, CISR, and ACSR.
 - ii. Office Procedures: Existence of a written Procedure Manual tailored to the agency and readily available to all employees. The manual should address handling of New and Renewal business, Endorsements, Cancellations, Surplus Lines requirements, Audits, Binders, Mail Handling, Claims Reporting, Documentation, Diary systems, etc. The manual should also include Job Descriptions for all employees, Company Information including guidelines for Carrier Ratings, Agency policy on Training and Education and the role of computers and automation.
 - iii. Exposure Analysis Program: Written and verifiable exposure checklists as part of the Standard Operating Procedure of the agency addressing all potential exposures. Checklists should be specific to the various lines of business and activities of the agency. Client coverage declinations and coverage rejections must be documented.
 - iv. Continuing Education: Attendance at an approved E&O Seminar within the last 12 months or within the first 30 days after the inception date of the policy. Required attendance is shown in the following table:

Staff Size	No. Attending	Level
1 – 3	1	Principal / Office Manager / CSR
4 – 10	2	Principal / Office Manager & 1 CSR
11 – 20	3	Principal / Office Manager & 2 CSR's
21+	20%	Total Staff



PACO Assurance Company, Inc.
Insurance Agents & Brokers Professional Liability Program
Manual Rules

10. **Schedule Rating:**

- a. The manual rates for any risk over \$2,500 in premium shall be modified either by debit or credit in accordance with the following schedule rating table, subject to a maximum modification of 25%.

Professionalism Credit:

An attainment of two will result in a 5% credit

An attainment of three or more will result in a 10% credit

- Agent/owner/management has greater than 5 years of insurance experience
- At least 60% of the agency staff/owners have insurance industry designations
- Maintained continuous E&O coverage for the past 5 years
- Majority of carriers are AM Best rated A or better
- Continuous appointments with stable carries
- Member of Professional Association(s)

Professionalism Debit:

An instability pattern of two will result in a 5% debit

An instability pattern of three or more will result in a 10% debit

- Agent/owner/management has less than 3 years of insurance experience
- Lapse in insurance coverage
- Previous policy was cancelled for non payment
- Submitting an incomplete application and or failure to respond in a timely manor
- Instability with carrier appointments



PACO Assurance Company, Inc.
Insurance Agents & Brokers Professional Liability Program
Manual Rules

Agency Procedures Credit:

Implementation of two will result in a 5% credit

Implementation of three or more will result in a 10% credit

- Agency has procedures manual and documented procedures in place
- Agency has automated systems accounting and agency management system and performs backups
- Agency has had voluntary agency financial and operational audits performed within the past 5 years
- Greater than 50% of the agency's accounts are direct billed

Agency Procedures Debit:

A deficiency in two areas will result in a 5% debit

A deficiency in three areas will result in a 10% debit

- Agency does not have a procedures manual
- Agency does not use automated systems
- Single staffed agency – no backup personnel

Length of time in Business: 10% credit

- Agency has been established for 5 or more years

Length of time in Business: 10% debit

- Agency has been established for less than 3 years

11. **Optional Extended Reporting Period Premium**

The rate for this coverage for an agency whose policy is subject to any termination of coverage shall be the rate listed in the applicable policy.



***PACO Assurance Company, Inc.
Insurance Agents & Brokers Professional Liability Program
Manual Rules***

12. **Administrative and Other Rules**

- a. The maximum credit applied, when all schedule rating and loss control credits applicable under these rules are totaled, shall not exceed 35%.
- b. When a policy is cancelled within fifteen (15) days of its effective date, it shall be deemed to be cancelled flat and there shall be a full return of premium. The Company must receive evidence of cancellation and replacement coverage.
- c. If the policy is cancelled by the insured, the return premium shall be calculated on a short rate basis.
- d. Factors are applied multiplicatively, and shall not be added together.
- e. Premiums shall be rounded to the nearest whole dollar.
- f. The minimum premium is \$2,000. However, this minimum premium rule does not apply to policies with limits below \$1 Million which receive a Prior Acts discount, in which case the minimum premium is \$1,000.



***PACO Assurance Company, Inc.
Insurance Agents & Brokers Professional Liability Program
Arkansas State Exceptions Page***

Item 5. Territorial Modifiers of the Manual Rules is hereby amended to add the following:

The territorial identifiers for the State of Arkansas are as follows:

<u>Territory</u>	<u>Territory Identifier</u>
Arkansas (All State)	1

<i>SERFF Tracking Number:</i>	<i>PCAG-125326864</i>	<i>State:</i>	<i>Arkansas</i>
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<i>Company Tracking Number:</i>	<i>AR-982-A</i>		
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Supporting Document Schedules

Satisfied -Name:	Uniform Transmittal Document-Property & Casualty	Review Status:	Filed	04/16/2008
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Comments:

Attachment:

AR P&C Transmittal - Initial Rate and Rules.pdf

Bypassed -Name:	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Review Status:	Filed	04/16/2008
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Bypass Reason: Independent Filing

Comments:

Bypassed -Name:	NAIC loss cost data entry document	Review Status:	Filed	04/16/2008
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Bypass Reason: Independent Filing

Comments:

Satisfied -Name:	Actuarial Support	Review Status:	Filed	04/16/2008
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Comments:

Attachments:

2008 Agent E&O Initial Filing Actuarial Memorandum.pdf

2008 Agent E&O Initial Filing .pdf

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only	
	a. Date the filing is received:	
	b. Analyst:	
	c. Disposition:	
	d. Date of disposition of the filing:	
	e. Effective date of filing:	
	New Business	
	Renewal Business	
	f. State Filing #:	
	g. SERFF Filing #:	
h. Subject Codes		

3. Group Name					Group NAIC #
4. Company Name(s)	Domicile	NAIC #	FEIN #	State #	

5. Company Tracking Number	
-----------------------------------	--

Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6. Name and address	Title	Telephone #s	FAX #	e-mail
7. Signature of authorized filer				
8. Please print name of authorized filer				

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)				
10. Sub-Type of Insurance (Sub-TOI)				
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]				
12. Company Program Title (Marketing title)				
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)			
14. Effective Date(s) Requested	New:		Renewal:	
15. Reference Filing?	<input type="checkbox"/> Yes <input type="checkbox"/> No			
16. Reference Organization (if applicable)				
17. Reference Organization # & Title				
18. Company's Date of Filing				
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved			

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	
21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]	

[illegible]

***Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)

RATE/RULE FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes rate-related items such as Rate; Rule; Rate & Rule; Reference; Loss Cost; Loss Cost & Rule or Rate, etc.)

(Do not refer to the body of the filing for the component/exhibit listing, unless allowed by state.)

1.	This filing transmittal is part of Company Tracking #	
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2.	This filing corresponds to form filing number (Company tracking number of form filing, if applicable)	
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☐ Rate Increase ☐ Rate Decrease ☐ Rate Neutral (0%)

3.	Filing Method (Prior Approval, File & Use, Flex Band, etc.)	
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4a.	Rate Change by Company (As Proposed)
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change (where required)	Minimum % Change (where required)

4b.	Rate Change by Company (As Accepted) For State Use Only
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Company Name	Overall % Indicated Change (when applicable)	Overall % Rate Impact	Written premium change for this program	# of policyholders affected for this program	Written premium for this program	Maximum % Change	Minimum % Change

5.	Overall Rate Information (Complete for Multiple Company Filings only)
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		COMPANY USE	STATE USE
5a	Overall percentage rate indication (when applicable)		
5b	Overall percentage rate impact for this filing		
5c	Effect of Rate Filing – Written premium change for this program		
5d	Effect of Rate Filing – Number of policyholders affected		

6.	Overall percentage of last rate revision	
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7.	Effective Date of last rate revision	
-----------	---	--

8.	Filing Method of Last filing (Prior Approval, File & Use, Flex Band, etc.)	
-----------	---	--

9.	Rule # or Page # Submitted for Review	Replacement or withdrawn?	Previous state filing number, if required by state
01		[] New [] Replacement [] Withdrawn	
02		[] New [] Replacement [] Withdrawn	
03		[] New [] Replacement [] Withdrawn	

PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING

ACTUARIAL MEMORANDUM

This memorandum and the Exhibits accompanying it provide support for the initial rate filing of the PACO Assurance Company, Inc. (PACO) for its Insurance Agents Professional Liability program. The Countrywide Basic Limits experience of this PACO program since its inception in 2006 is utilized as the basis for the analysis.

The data underlying the Basic Limits Loss + ALAE Development Factors and Trend Factors are those of all PACO Professional Liability programs combined. The Basic Limits for the program are \$100,000 per occurrence / \$200,000 aggregate. Allocated Loss Adjustment Expenses do not reduce the limit of liability.

The indicated basic limits gross premium for the first \$100,000 of revenue is \$1,726 as developed in Exhibit 1. PACO management has selected a premium of \$1,725 for this level of exposure, with \$1,000 assigned to the first \$50,000 of revenue and \$725 assigned to the next \$50,000. I believe that the attached Exhibits demonstrate that this selected premium is not excessive, inadequate, or unfairly discriminatory. Please contact me by phone, fax, or email if you have any questions.

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Chief Actuary, The PICA Group
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**PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING**

Exhibit 1

INDICATED BASIC LIMITS GROSS PREMIUM FOR FIRST \$100,000 OF REVENUES

(1) Other Underwriting Expense	9.50%
(2) Commission	20.00%
(3) Premium Tax	2.50%
(4) Profit and Contingencies Including Investment Income	-1.40%
(5) Expense Ratio	<u>30.60%</u>
(6) Permissible Loss+ LAE Ratio	69.40%
(7) ULAE Ratio	6.00%
(8) Permissible Loss+ ALAE Ratio	63.40%
(9) Selected Basic Limits Pure Premium for First \$100,000 of Revenues	1,094
(10) Indicated Basic Limits Gross Premium for First \$100,000 of Revenues	1,726
(11) Selected Basic Limits Gross Premium for First \$100,000 of Revenues	1,725
(12) Selected Basic Limits Gross Premium for First \$50,000 of Revenues	1,000
(13) Selected Basic Limits Gross Premium for Next \$50,000 of Revenues	725

Notes:

- (1) - (4) Based on PACO budget.
- (5) = Sum of (1) through (4).
- (6) = 100.00% - (5).
- (7) Based on PACO budget.
- (8) = (6) - (7).
- (9) Item (5) from Exhibit 2.
- (10) = (9) / (8).
- (11) Selected by PACO management.
- (12) Selected by PACO management.
- (13) Selected by PACO management.

**PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING**

Exhibit 2

PROJECTED BASIC LIMITS PURE PREMIUM FOR FIRST \$100,000 OF REVENUES

(1)	(2)	(3)	(4)
Report Year	Trended Estimated Ultimate Loss+ALAE	Earned Exposures	Estimated Basic Limits Pure Premium
2006	216,720	161	1,346
2007	1,074,928	1,020	1,054
	1,291,648	1,181	1,094
(5) Selected Basic Limits Pure Premium =			1,094

Notes:
(4) = (2) x (3).
(9) = Weighted Average of 2006 and 2007.

**PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING**

Exhibit 3

**TRENDED ESTIMATED ULTIMATE BASIC LIMITS LOSS + ALAE
FOR FIRST \$100,000 OF REVENUES**

Estimated Ultimate Loss+ALAE					
(1)	(2)	(3)	(4)	(5)	(6)
Report Year	Reported Loss Development Method	Paid Loss Development Method	Reported Bornhuetter- Ferguson Method	Paid Bornhuetter- Ferguson Method	Selected
2006	273,057	170,113	259,635	137,419	210,000
2007	1,723,520	924,856	1,389,190	727,806	1,058,000
	1,996,577	1,094,969	1,648,825	865,225	1,268,000

(7)	(8)	(9)	(10)
Report Year	Selected Estimated Ultimate Loss+ALAE	Loss Trend Factor	Trended Estimated Ultimate Loss+ALAE
2006	210,000	1.032	216,720
2007	1,058,000	1.016	1,074,928
	1,268,000		1,291,648

Notes:	
(2)	From Column (4) of Exhibit 4.
(3)	From Column (8) of Exhibit 4.
(4)	From Column (10) of Exhibit 5.
(5)	From Column (16) of Exhibit 5.
(6)	= Average of all Methods for 2006. = Average of Bornhuetter-Ferguson Methods for 2007.
(9)	Based on Item (9) from Exhibit (8).
(10)	= (8) x (9).

**PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING**

Exhibit 4

**ESTIMATED ULTIMATE BASIC LIMITS LOSS + ALAE
LOSS DEVELOPMENT METHODS**

A. Reported Loss Development Method

(1)	(2)	(3)	(4)
	Basic Limits Reported Loss+ALAE as of	Basic Limits Reported Loss+ALAE Development Factor	Estimated Ultimate Loss+ALAE
<u>Report Year</u>	<u>12/31/2007</u>		
2006	250,281	1.091	273,057
2007	1,152,856	1.495	1,723,520
	<u>1,403,137</u>		<u>1,996,577</u>

B. Paid Loss Development Method

(5)	(6)	(7)	(8)
	Basic Limits Paid Loss+ALAE as of	Basic Limits Paid Loss+ALAE Development Factor	Estimated Ultimate Loss+ALAE
<u>Report Year</u>	<u>12/31/2007</u>		
2006	73,293	2.321	170,113
2007	60,930	15.179	924,856
	<u>134,223</u>		<u>1,094,969</u>

Notes:

- | |
|--|
| (3) Cumulative Factors from Exhibit 6.
(4) = (2) x (3).
(7) Cumulative Factors from Exhibit 7.
(8) = (6) x (7). |
|--|

PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING

Exhibit 5

ESTIMATED ULTIMATE BASIC LIMITS LOSS + ALAE
BORNHUETTER-FERGUSON METHODS

A. Initial Estimated Ultimate Loss + ALAE

(1)	(2)	(3)	(4)
	Basic Limits Earned Premium	Initial Expected Loss+ALAE Ratio	Initial Estimated Ultimate Loss+ALAE
Report Year			
2006	161,000	70.0%	112,700
2007	1,020,000	70.0%	714,000
	<u>1,181,000</u>		<u>826,700</u>

B. Reported Bornhuetter-Ferguson Method

(5)	(6)	(7)	(8)	(9)	(10)
	Initial Estimated Ultimate Loss+ALAE	Expected Percentage Unreported	Expected Loss+ALAE Unreported	Reported Loss+ALAE as of 12/31/2007	Estimated Ultimate Loss+ALAE
Report Year					
2006	112,700	8.3%	9,354	250,281	259,635
2007	714,000	33.1%	236,334	1,152,856	1,389,190
	<u>826,700</u>		<u>245,688</u>	<u>1,403,137</u>	<u>1,648,825</u>

C. Paid Bornhuetter-Ferguson Method

(11)	(12)	(13)	(14)	(15)	(16)
	Initial Estimated Ultimate Loss+ALAE	Expected Percentage Unpaid	Expected Loss+ALAE Unpaid	Paid Loss+ALAE as of 12/31/2007	Estimated Ultimate Loss+ALAE
Report Year					
2006	112,700	56.9%	64,126	73,293	137,419
2007	714,000	93.4%	666,876	60,930	727,806
	<u>826,700</u>		<u>731,002</u>	<u>134,223</u>	<u>865,225</u>

Notes:

- (3) Based on prior pricing assumptions.
- (4) = (2) x (3).
- (7) = 100.00% - [100.00% / Column (3) of Exhibit 4].
- (8) = (6) x (7).
- (10) = (8) + (9).
- (13) = 100.00% - [100.00% / Column (7) of Exhibit 4].
- (14) = (12) x (13).
- (16) = (14) + (15).

**PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING**

Exhibit 6

**DERIVATION OF PACO PROFESSIONAL LIABILITY BASIC LIMITS REPORTED LOSS + ALAE DEVELOPMENT FACTORS
BASIC LIMITS = 100,000 INDEMNITY + UNLIMITED ALAE**

Report Year	Age of Report Year in Months								
	12	24	36	48	60	72	84	96	108
1999	1,143,815	1,149,017	1,153,907	1,110,890	1,087,300	1,067,736	1,107,737	1,116,091	1,140,400
2000	861,120	799,782	745,764	752,552	748,832	871,454	884,032	916,220	
2001	572,546	1,070,719	1,204,025	1,269,983	1,115,542	1,106,686	1,106,686		
2002	1,257,899	1,636,069	1,855,008	1,837,750	1,771,764	1,761,597			
2003	679,109	1,224,226	1,234,403	1,184,277	1,238,168				
2004	306,071	552,056	812,958	899,836					
2005	2,007,448	2,502,374	2,804,012						
2006	3,390,269	5,092,533							
2007	4,179,127								

Report Year	Age to Age Development Factors								
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to 96	96 to 108	108 to Ult
1999	1.005	1.004	0.963	0.979	0.982	1.037	1.008	1.022	
2000	0.929	0.932	1.009	0.995	1.164	1.014	1.036		
2001	1.870	1.125	1.055	0.878	0.992	1.000			
2002	1.301	1.134	0.991	0.964	0.994				
2003	1.803	1.008	0.959	1.046					
2004	1.804	1.473	1.107						
2005	1.247	1.121							
2006	1.502								

Weighted Average	1.373	1.098	1.007	0.969	1.018	1.017	1.020	1.022	
5 Year Wtd. Avg.	1.441	1.132	1.016	0.969					
3 Year Wtd. Avg.	1.428	1.134	1.005	0.961	1.028	1.017			
Selected	1.370	1.100	1.010	0.960	1.018	1.005	1.000	1.000	1.000
Cumulative	1.495	1.091	0.992	0.982	1.023	1.005	1.000	1.000	1.000

**PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING**

Exhibit 7

**DERIVATION OF PACO PROFESSIONAL LIABILITY BASIC LIMITS PAID LOSS + ALAE DEVELOPMENT FACTORS
BASIC LIMITS = 100,000 INDEMNITY + UNLIMITED ALAE**

Report Year	Age of Report Year in Months								
	12	24	36	48	60	72	84	96	108
1999	89,290	218,591	335,679	952,480	972,816	1,026,197	1,031,091	1,033,392	1,140,400
2000	44,974	178,467	296,588	524,924	613,833	735,153	745,316	777,018	
2001	60,356	205,470	652,398	969,326	987,082	1,106,686	1,106,686		
2002	82,340	897,182	1,268,266	1,507,678	1,754,909	1,761,597			
2003	60,604	790,611	1,034,815	1,079,989	1,154,452				
2004	56,558	277,198	596,296	797,151					
2005	101,934	1,147,101	2,053,418						
2006	697,248	4,089,118							
2007	569,740								

Report Year	Age to Age Development Factors								
	12 to 24	24 to 36	36 to 48	48 to 60	60 to 72	72 to 84	84 to 96	96 to 108	108 to Ult
1999	2.448	1.536	2.837	1.021	1.055	1.005	1.002	1.104	
2000	3.968	1.662	1.770	1.169	1.198	1.014	1.043		
2001	3.404	3.175	1.486	1.018	1.121	1.000			
2002	10.896	1.414	1.189	1.164	1.004				
2003	13.046	1.309	1.044	1.069					
2004	4.901	2.151	1.337						
2005	11.253	1.790							
2006	5.865								
Weighted Average	6.540	1.679	1.394	1.089	1.070	1.005	1.019	1.104	
5 Year Wtd. Avg.	7.211	1.690	1.268	1.089					
3 Year Wtd. Avg.	6.443	1.664	1.167	1.095	1.074	1.005			
Selected	6.540	1.660	1.170	1.100	1.070	1.005	1.005	1.005	1.000
Cumulative	15.179	2.321	1.398	1.195	1.086	1.015	1.010	1.005	1.000

PACO ASSURANCE COMPANY, INC.
INSURANCE AGENTS PROFESSIONAL LIABILITY PROGRAM
INITIAL RATE FILING

Exhibit 8

DERIVATION OF PACO PROFESSIONAL LIABILITY
BASIC LIMITS ANNUAL LOSS + ALAE TREND FACTOR
BASIC LIMITS = 100,000 INDEMNITY + UNLIMITED ALAE

(1) Calendar Year Closed	(2) Years of Trend	(3) Basic Limits Paid Loss+ALAE	(4) Number of Claims Closed	(5) Average Severity
2002	0	839,570	26	32,291
2003	1	1,342,109	39	34,413
2004	2	1,849,978	52	35,577
2005	3	776,708	21	36,986
2006	4	1,926,069	56	34,394
2007	5	3,246,654	90	36,074
		9,981,088	284	35,145

(6) Slope = 579
(7) Weighted Average Severity = 35,145
(8) Slope / Weighted Average Severity = 1.6%
(9) Selected Annual Loss Trend Factor = 1.016

Notes:
(5) = (3) / (4).
(9) = 1.000 + (8).